

# ZANN CORPORATION

IFRS Standards Financial Statements (11st Fiscal years)

Fiscal year ended December 31, 2023

**ZANN CORPORATION**  
Statement of Financial Position

Yen  
For the ended  
December 31, 2023  
IFRS

Cash and cash equivalents	820,284
Advance payment	62,180
Short-term loans receivable	47,000,000
Deposits paid	1,545,800
<b>Total current assets</b>	<b>49,428,264</b>
Long-term loans receivable	2,555,000
shares of subsidiaries and associates	185,273,417
<b>Total non-current assets</b>	<b>187,828,417</b>
Work in progress	8,800,000
<b>Total Deferred assets</b>	<b>8,800,000</b>
<b>Total assets</b>	<b>246,056,681</b>
Short-term debt	53,552,234
Accrued expense	12,130,000
Accrued corporate tax. etc.	182,500
Withholdings	114,725
<b>Total current liabilities</b>	<b>65,979,459</b>
Long-term debt	531,200,000
Long-term debt of director	179,702,094
Long-term deposit	130,000,000
<b>Total non-current liabilities</b>	<b>840,902,094</b>
<b>Total liabilities</b>	<b>906,881,553</b>
Capital stock	-
Retained earnings	(660,824,872)
<b>Total shareholders' equity</b>	<b>(660,824,872)</b>
<b>Total liabilities and shareholders' equity</b>	<b>246,056,681</b>

**ZANN CORPORATION**

## Statement of Income

Yen  
For the ended  
December 31, 2023  
(January 1, 2023 to  
December 31, 2023)  
IFRS

Revenue	22,289,040
Cost of sales	43,354,500
<b>Gross profit</b>	<b>(21,065,460)</b>
<b>Selling, general and administrative</b>	
salary	14,724,835
Other salary	20,000
Legal welfare expenses	854,903
Welfare expenses	4,660
Outsourcing expenses	6,156,133
Travel expenses	3,638,232
Communication fee	561,478
Entertainment expense	5,871,400
Donations expense	1,150,000
Conference fee	231,045
Rent	928,912
Repair expense	8,764
Utilities expense	19,648
Vehicle expense	8,169
Supplies expense	279,699
Taxes and public dues	31,600
Freight expense	2,507
Advertising expenses	3,011,784
Commission expenses	10,092,111
Membership expense	10,000
<b>Total selling, general and administrative</b>	<b>47,605,880</b>
<b>Operating income</b>	<b>(68,671,340)</b>
Other finance income	40
Miscellaneous income	22,000
Loss on valuation of shares of subsidiaries	24,165,041
Interest expense	712,800
Income tax expense	182,500
<b>Net income</b>	<b>(93,709,641)</b>

**ZANN CORPORATION**  
Statement of changes in equity

Currency: Yen	Capital stock	Retained earnings	Total shareholders' equity
<b>Balances at January 1, 2023</b>	-	<b>(517,115,230)</b>	<b>(517,115,230)</b>
Changes of items during the period			-
Beginning balance adjustment		(50,000,001)	(50,000,001)
Net income		(93,709,641)	(93,709,641)
<b>Total changes of items during the period</b>	-	<b>(143,709,642)</b>	<b>(143,709,642)</b>
<b>Balances at December 31, 2023</b>	-	<b>(660,824,872)</b>	<b>(660,824,872)</b>

# ZANN CORPORATION

## Statements of Cash Flows

	Yen
	For the ended December 31, 2022 (January 1, 2023 to December 31, 2022) IFRS
Net cash provided by (used in) operating activities	-
Profit before income taxes	(93,709,641)
Interest expenses	712,800
Other, net	29,829,866
<b>Subtotal</b>	<b>(63,166,975)</b>
Interest expenses paid	(712,800)
<b>Net cash provided by (used in) operating activities</b>	<b>(63,879,775)</b>
Net cash provided by (used in) investing activities	(23,092,000)
Purchase of Software in progress	-
<b>Net cash provided by (used in) investing activities</b>	<b>(23,092,000)</b>
Net cash provided by (used in) financing activities	
Increase (decrease) in Long-term debt	(18,000,000)
Increase (decrease) in Long-term debt of director	75,028,151
<b>Net cash provided by (used in) financing activities</b>	<b>57,028,151</b>
Net increase (decrease) in cash and cash equivalents	(29,943,624)
Cash and cash equivalents at beginning of period	30,763,908
<b>Cash and cash equivalents at end of period</b>	<b>820,284</b>
Diff	-

**ZANN CORPORATION**  
Notes to the Financial Statement

1. Significant accounting principles

(1) Valuation standards and methodology for material assets

a. Securities

Held-to-maturity debt securities are stated at amortized cost.

Other securities

Securities with a readily determinable market value are stated at fair market value based on the quoted market price at the fiscal year-end (with any unrealized gains or losses being reported directly as a component of shareholders' equity and the cost of any securities sold being computed by the moving average method).

b. Derivatives

Derivative financial instruments are stated at fair market value.

c. Inventories

Raw materials are stated at cost, with cost being determined by the first-in, first-out method, and balance sheet values reflecting write-downs for decreased profitability.

(2) Depreciation and amortization methods for material depreciable assets

a. Property, plant and equipment (excluding lease assets and right-of-use assets)

The Company and domestic consolidated subsidiaries mainly apply the declining balance method.

However, for buildings acquired on or after April 1, 1998 (excluding building fixtures) and building fixtures and structures acquired on or after April 1, 2016, they apply the straight-line method.

Foreign consolidated subsidiaries mainly apply the straight-line method.

b. Intangible assets (excluding lease assets)

Amortization is computed by the straight-line method.

Software used in-house is depreciated over its estimated useful life (within five years) based on the straight-line method.

c. Lease assets

Lease assets related to finance lease transactions that do not transfer ownership are depreciated using the straight-line method with estimated useful lives equal to lease terms, and zero residual values.

d. Right-of-use assets

Right-of-use assets are depreciated using the straight-line method with zero residual values.

(3) Basis of material allowances

a. Allowance for doubtful accounts

The Company provide for possible credit losses stemming from monetary receivables. Estimates of irrecoverable amounts are based on historical loan-loss ratios for general receivables, and on a consideration of feasibly recoverable amounts in individual cases of suspected bad debt or other specific dubious accounts.

2. Status of financial instruments

Carrying values in the balance sheets, fair values and the unrealized gains (losses) are presented as follows.

Assets and liabilities, for which it is deemed difficult to measure the fair value, are not included in the following table.

Year ended Dec 31, 2023 (As of Dec 31, 2023))

(Yen)	Carrying value	Fair value	Unrealized gains (losses)
(1) Cash and deposits	820,284	820,284	-
(2) Advance payment	62,180	62,180	-
(3) Short-term loans receivable	47,000,000	47,000,000	-
(4) Deposit paid	1,545,800	1,545,800	-
<b>Total assets</b>	<b>49,428,264</b>	<b>49,428,264</b>	<b>-</b>
(1) Short-term debt	53,552,234	53,552,234	-
(2) Accrued corporate tax, etc.	12,130,000	12,130,000	-
(3) Withholdings	114,725	114,725	-
(4) Accrued corporate tax, etc.	182,500	182,500	-
(5) Long-term debt	531,200,000	531,200,000	-
(6) Long-term debt of director	179,702,094	179,702,094	-
(7) Long-term deposit	130,000,000	130,000,000	-
<b>Total liabilities</b>	<b>906,881,553</b>	<b>906,881,553</b>	<b>-</b>

Assets

(1) Cash and deposits, (2) Advance payment, (3) Short-term loans receivable and (4) Deposit paid

As these assets are settled within a short time, the fair value thereof is almost equal to the carrying value. Accordingly, the calculation of the fair value of these assets is based on the carrying value concerned.

Liabilities

(1) Short-term debt, (2) Accrued corporate tax, (3) Withholdings etc., (4) Long-term debt of director and (5) Long-term deposit

As these liabilities are settled within a short time, the fair value is almost equal to the carrying value. Accordingly, the calculation of the fair value of these liabilities is based on the carrying value concerned.

## Adjustment details

	Yen		Adjustments		Yen		Explanation
	For the ended December 31 2023	JGAAP	Debit	Credit	For the ended December 31 2023	IFRS	
Cash and cash equivalents	820,284				820,284		
Advance payment	62,180				62,180		
Short-term loans receivable	47,000,000				47,000,000		
Temporary payment	1,545,800				1,545,800		
<b>Total current assets</b>	<b>49,428,264</b>		-	-	<b>49,428,264</b>		
Long-term loans receivable	2,555,000				2,555,000		
shares of subsidiaries and associates	231,073,500	13,000,000		58,800,083	185,273,417		Measured at fair value each period after initial fair value, with gains and losses recognised in the profit and loss account. The difference in value is recognised in the profit and loss account (IAS 39).
<b>Total non-current assets</b>	<b>233,628,500</b>	<b>13,000,000</b>	-	<b>58,800,083</b>	<b>187,828,417</b>		According to the management, this movie programme made for sales is in progress
work in progress	-	8,800,000			8,800,000		
Software in progress	2,700,000			2,700,000	-		
Founding expense	18,338,295			18,338,295	-		Organization costs are not in principle considered to be capitalised (IAS 38.69). According to the management, organisational costs include subsidiary capital of 13,000,000
<b>Total Deferred assets</b>	<b>21,838,295</b>	<b>8,800,000</b>	-	<b>21,838,295</b>	<b>8,800,000</b>		
<b>Total assets</b>	<b>304,095,059</b>	<b>21,800,000</b>	-	<b>79,838,378</b>	<b>246,056,681</b>		
Short-term debt	53,552,234				53,552,234		
Accrued expense	12,130,000				12,130,000		
Accrued Cooperative Tax etc.	-			192,500	192,500		According to the management, the Kagoshima prefectural tax per capita rate was not recorded.
Deposit paid	114,725				114,725		
<b>Total current liabilities</b>	<b>65,796,959</b>	-	-	<b>182,500</b>	<b>65,979,459</b>		
Long-term debt	531,200,000				531,200,000		
Long-term debt of director	179,702,094				179,702,094		
Long-term deposit	130,000,000				130,000,000		
<b>Total non-current liabilities</b>	<b>840,902,094</b>	-	-	-	<b>840,902,094</b>		
<b>Total liabilities</b>	<b>906,699,053</b>	-	-	<b>182,500</b>	<b>906,881,553</b>		
Capital stock							
Retained earnings	(602,603,994)	80,020,878	-	21,800,000	(660,824,872)		
<b>Total shareholders' equity</b>	<b>(602,603,994)</b>	<b>80,020,878</b>	-	<b>21,800,000</b>	<b>(660,824,872)</b>		
<b>Total liabilities and shareholders' equity</b>	<b>304,095,059</b>	<b>80,020,878</b>	-	<b>21,982,500</b>	<b>246,056,681</b>		
Revenue	22,289,040				22,289,040		
Cost of sales	(43,354,500)				(43,354,500)		
<b>Gross profit</b>	<b>(21,065,460)</b>	<b>0</b>			<b>(21,065,460)</b>		
<b>Selling, general and administrative</b>							
salary	14,724,835				14,724,835		
Other salary	20,000				20,000		
Legal welfare expenses	854,903				854,903		
Welfare expenses	4,660				4,660		
Outsourcing expenses	6,156,133				6,156,133		
Travel expenses	3,638,232				3,638,232		
Communication fee	561,478				561,478		
Entertainment expense	5,871,400				5,871,400		
Donations expense	1,150,000				1,150,000		
Conference fee	231,045				231,045		
Rent	928,912				928,912		
Repair expense	8,764				8,764		
Utilities expense	19,648				19,648		
Vehicle expense	8,169				8,169		
Supplies expense	279,669				279,669		
Taxes and public dues	31,600				31,600		
Freight expense	2,507				2,507		
Advertising expenses	11,811,784		8,800,000		3,011,784		According to the management, 8,800,000 was incorrectly recorded as Advertising expenses.
Commission expenses	10,092,111				10,092,111		
Membership expense	10,000				10,000		
<b>Total selling, general and administrative</b>	<b>56,405,880</b>	-	-	<b>8,800,000</b>	<b>47,605,880</b>		
<b>Operating income</b>	<b>(77,471,340)</b>	-	-	<b>(8,800,000)</b>	<b>(68,671,340)</b>		
Other finance income	40				40		
Miscellaneous income	22,000				22,000		
Loss on valuation of shares of subsidiaries		24,165,041			24,165,041		According to the management, the cruise ship's investment has already been refunded, so there is no balance, we are paying interest in the FY23. However, it was revised because it adopted the accounting treatment that the balance of borrowing was reduced when saving interest.
Interest expense	712,800				712,800		
Income tax expense	182,500		182,500		182,500		
<b>Net income</b>	<b>(76,854,000)</b>	<b>24,347,841</b>	-	<b>(8,617,500)</b>	<b>(93,709,641)</b>		
Diff	-	(58,220,878)		57,855,878	-		

Fair value of unlisted subsidiary shares

	Local currency	Exchange rate	Yen
Mongolian subsidiary (100% equity) profit/loss for the year FY23/1: (555,601,000)		0.041	(22,779,641)
Indonesian subsidiary (100% equity) total investment for the year FY23/12			(1,385,400)
<b>Total</b>			<b>(24,165,041)</b>

	FY2022	Loss for the yearFY2022	FY2022/12	Increase on FY2023	Subtotal	loss for the year2023	FY2023/12	Total loss for shares of subsidiaries and associates
Shares of Indonesian subsidiary (100% equity) for the year FY23/12	10,062,500	(22,051,100)	(11,988,600)	13,374,000	1,385,400	(1,385,400)	0	
Shares of Mongolian subsidiary (100% equity) for the year FY23/12	160,009,000	(12,583,942)	147,425,058	47,628,000	195,053,058	(22,779,641)	172,273,417	
N/A	37,910,000		37,910,000	(37,910,000)	0			
<b>Total</b>	<b>207,981,500</b>	<b>(34,635,042)</b>	<b>173,346,458</b>			<b>(24,165,041)</b>		<b>(58,800,083)</b>

According to the management, Indonesian subsidiary (100% equity) was closed on April 2024